

CITY OF CLARKSTON
Asotin County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The City Should Strengthen Internal Controls Related To Warrants And Other Disbursements

The city does not have an adequate system of internal controls governing the issuance of warrants and other disbursements. We consider the following internal control weaknesses to be reportable conditions.

a. Claims warrants

Warrants are issued from vendor statements which are not supported by invoices. The review of vouchers prior to processing of the warrant is inadequate. Without proper supporting documentation and audit prior to payment it cannot be reasonably determined that the claim is a just claim against the city.

b. Payroll warrants

There is no evidence of supervisory review of changes made to the master payroll files. Source documentation for the issuance of payroll checks is not reconciled to the actual warrants. Automatic deposits of payroll checks creates numerous voided payroll warrants which are not monitored by city management. There is no evidence that reconciliations of payroll information are independently performed.

c. Treasurer's checks

Treasurer's checks are prepared for wire transfers related to investment purchases and bond payments and then subsequently voided. Manual and computerized accounting records still indicate the check number as the transaction code for these entries. In addition, refunds paid directly from the treasurer's cash account are not approved by the council.

d. Access controls

Blank warrant stock is maintained in the vault and access is not adequately restricted. Also, there is no restriction to access computer applications and passwords are not changed periodically or kept confidential.

The lack of a system of internal controls related to warrants and other disbursements does not provide reasonable assurance that material errors or irregularities are not occurring nor being detected by management in a timely manner.

We recommend that the city strengthen internal controls related to warrants and other

disbursements.

2. City Officials Should Comply With State Bid Laws

During 1993, the city purchased a street roller for \$19,810, but failed to formally call for bids. The city did not formally bid the purchase of equipment, or approve a waiver from bid requirements by resolution, as required by RCW 35.23.352.

Noncharter code cities are governed by RCW 35A.40.200 for general laws relating to public works and contracts. RCW 35A.40.200 refers to RCW 35.23.352, for the purchases of equipment.

The purchase of the street roller is subject to the formal bid procedures in RCW 35.23.352 which states in part:

(6) Any purchase of supplies, material, equipment . . . where the cost thereof exceeds seven thousand five hundred dollars shall be made upon a call for bids . . .

(9) These requirements for purchasing may be waived by resolution of the city or town council which declared that the purchase is clearly and legitimately limited to a single source or supply within the near vicinity, or the materials, supplies, equipment, or services are subject to special market conditions, and recites why this situation exists.

Without calling for competitive bids, the city cannot be assured that it received the best possible price on the equipment. The city believed that because the equipment was used, the bid laws do not apply. According to RCW 35.23.352, used equipment does not qualify for an exemption resolution, that the purchase is clearly and legitimately limited to a single source. City officials did not approve by resolution that the purchase of the street roller was limited to a single source.

We recommend the city follow proper bid procedures as required by state statute.

CITY OF CLARKSTON
Asotin County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. City Should Establish An Integrated Grant Accounting System Which Will Ensure That Cash Management And Reporting Requirements For Federal Financial Assistance Programs Are Met

The city did not report, or claim, at least \$8,000 of contracted construction costs appropriately charged to the Highway Planning and Construction Grant (CFDA 20.205), Chestnut Street Project CRP 224. Although reports submitted to the grantor had been reviewed by city personnel, our examination revealed that they had failed to include all allowable costs.

The "Common Rule", Subpart C, Section_.20(b)(1) states:

Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant

The Budgeting, Accounting and Reporting Systems (BARS) manual, Volume 1, Part 3, Chapter 5, page 1, states in part:

OMB Circular A-128 *Audits of State and Local Governments*, established many specific audit requirements, and in turn these requirements necessitate the following accounting procedures.

1. Grant accounting must be integrated with the recipient's general accounting records so claims for reimbursements or advances are supportable by the books and records.

The city's failure to report and claim all allowable costs appears to have occurred because the city's accounting system does not adequately identify all expenditures attributable to grant funds.

We recommend the city establish and implement an integrated grant accounting system.